

KAREN BRINKMANN PLLC
555 Eleventh Street, NW
Mail Station 07
Washington, DC 20004-1304
(202) 365-0325
KB@KarenBrinkmann.com

October 21, 2011

**CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET
No. 01-92, WC DOCKET Nos. 05-337, 07-135, AND 10-90, AND GN DOCKET No. 09-51
BEFORE THE FEDERAL COMMUNICATIONS COMMISSION –
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BY HAND DELIVERY & ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

Re: *Developing a Unified Intercarrier Compensation Regime, et al.*,
CC Docket Nos. 01-92 and 96-45, WC Docket Nos. 03-109, 05-
337, 07-135 and 10-90, and GN Docket No. 09- 51 –
Ex Parte Notice

Dear Ms. Dortch:

On October 20, 2011, on behalf of Alaska Communications Systems Group, Inc. and its operating subsidiaries (“ACS”), I had a discussion with Zachary Katz, and today, October 21, 2011, I had further discussions with Paul de Sa and Bradley Gillen, all concerning the FCC’s pending universal service and inter-carrier compensation rulemaking in the above-captioned dockets. This notice is filed pursuant to Section 1.1206 of the Commission’s rules.

Confidential Treatment

ACS files certain information contained herein that is proprietary and confidential to ACS pursuant to the Protective Order established in this proceeding.¹ ACS has marked each page of this letter with the required legend indicating its confidential nature as required in paragraph 4 of the Protective Order, and has

¹ *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (Wireline Competition Bur. 2010).

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indicated that this Stamped Confidential Document contains such sensitive information that the copying of the document should be restricted as provided for in paragraph 5 of the Protective Order.

Please find herewith one copy of ACS's Stamped Confidential Document as defined in the Protective Order, and two copies of its Redacted Confidential Document. ACS also is sending two copies of its Stamped Confidential Document to Ms. Lynne Hewitt Engledow, Pricing Policy Division, Wireline Competition Bureau.

Substantive Discussion

ACS explained that several essential factors differentiate the Alaska telecommunications and broadband sector from the Lower 48 states. These factors include extremely low densities and high costs per customer, lack of "middle mile" facilities, absence of roads or power generation to hundreds of communities, and very low broadband penetration rates compared to the national average. In addition, and as a consequence of these factors as well as the extreme isolation of the state, the market attracts only a few entrants in any location. Also because of the low densities, remoteness, and harsh climate, both wireline and mobile facilities are essential to survival in most parts of the state, and many locations require support for both wireline and mobile services. Achieving universal service in Alaska is vital both to the state's economic future and to the safety and health of its residents. The Communications Act requires the Commission to consider these factors.

Nevertheless, the rule changes that the Commission is poised to adopt do not appear to take into account these unique challenges. ACS has informed the Commission in no uncertain terms that the Commission's proposed reforms will fail to provide adequate support for universal service in Alaska, and will produce insufficient support for ACS to continue investing in Alaska telecommunications and broadband infrastructure, and maintain existing services.

ACS offered an alternative solution in its Comments of August 24, and in these conversations offered additional ideas to bring Alaska support within a reasonable budget but provide an adequate transition for ACS to continue to expand and maintain broadband networks in the state. For example, ACS proposed phasing out ILEC and CETC support in the municipalities of Anchorage, Fairbanks and Juneau over a reasonable transition period of eight to ten years, but retaining the current levels of support in the most rural parts of the state, where support is necessary to the continued provision of essential services. ACS also explained that any "CAF" support that is tied to mandatory broadband build-out requirements must be offered to the ILECs on a wire

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center basis, because high-bandwidth services simply cannot be provided to certain locations using technology currently available. Further, it makes no sense to impose broadband buildout obligations in communities in Alaska not reachable via existing, affordable terrestrial backhaul capability.²

Alternatively, ACS respectfully requests that the Commission include in its forthcoming order permission for ACS to return to rate-of-return regulation its most sparsely populated service territories, including the Glacier State, Greatland and Sitka study areas as well as the portion of the Fairbanks study area encompassed by disaggregation Zone 2 under the Commission's rules. While all of ACS's study areas other than Anchorage are rural under the Communications Act, the areas listed above are especially costly to serve, and unlikely to be accurately represented in any model employed by the Commission, as ACS has pointed out in its previous comments in this proceeding.

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ACS believes that the outcomes described above will be avoided only if the Commission preserves a sufficient, predictable and specific amount of support

² Affordability could be determined on a case-by-case basis, but the Commission should articulate some logical guidelines. For example, if terrestrial backhaul is available to a particular area only at a price closer to satellite backhaul prices than to typical terrestrial backhaul rates, then effectively no viable backhaul solution is available to that area.

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for Alaska, as required by the Communications Act. ACS would be happy to provide any additional information needed by the Commission.

Please direct any questions regarding this matter to me.

Very truly yours,

Karen Brinkmann
Counsel to ACS

cc:

Hon. Julius Genachowski	Angela Kronenberg
Hon. Michael Copps	Christine Kurth
Hon. Robert McDowell	Paul de Sa
Hon. Mignon Clyburn	Sharon Gillett
Edward Lazarus	Carol Matthey
Zachary Katz	Bradley Gillen
Margaret McCarthy	Lynne Hewitt Engledow